



United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. 1437 (1955)

July 7, 1986

SUBJECT: Sale Price of Suitable Property (CONACT)

TO: All FmHA State Directors and State Directors-at-Large

PURPOSE/INTENDED OUTCOME:

This AN is issued to state FmHA policy and clarifications concerning the sale of farm inventory property as set out in Section 1955.106(c) of FmHA Instruction 1955-C.

COMPARISON WITH PREVIOUS AN:

No previous AN on this subject has been issued.

IMPLEMENTATION RESPONSIBILITIES:

FmHA designated appraisers will use the three approaches of market analysis to find the market value of real estate property. However, when farm property is sold out of Government inventory, the property will be sold for a price that reflects the capitalization value as determined by an appraisal made in accordance with FmHA Instruction 422-1, "Appraisal of Farm and Leasehold Interest", and in accordance with Section 1955.106(c) of FmHA Instruction 1955-C.

It has come to our attention that a negative Net Farm Income (NFI) in Part 5 of Form FmHA 422-1, "Appraisal Report (Farm Tract)," and/or negative capitalization rate can be derived from comparable properties in some states. This would indicate the property would have no value. We cannot recognize a negative NFI or establish a capitalization rate under such conditions. It is the intent of this AN to state that FmHA is not authorized to permit suitable property to be given away.

When such properties have a very low capitalization value or no value, the State Director has the authority to determine that the sale of such property would have a detrimental effect on the value of farms as set out in Section 1955.109 of FmHA Instruction 1955-C and therefore, should not allow the property to be sold until market conditions justify the sale.

Expiration Date: June 30, 1987

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1955-C

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All State Directors will supplement FmHA Instruction 422.1 with current prices, costs, and other guidelines to complete the capitalization approach. State Directors may want to require that the appraisal and docket be submitted to the State Office prior to the sale of inventory farms to assure that proper and sound methods have been used to arrive at the capitalization value. We suggest that the guidelines and principles set out in the "Rural Appraisal Manual" issued by the American Society of Farm Managers and Rural Appraisers (ASFMRA) be followed. We understand that the Sixth Edition of this manual will be published this summer. Should anyone wish to contact the Society, they can be reached at the following address and telephone number:

The American Society of Farm Managers and
Rural Appraisers, Inc.
950 S. Cherry Street, Suite G-16
Denver, Colorado 80222
(303) 758-3513



VANCE L. CLARK
Administrator

Sent by Electronic Mail on July 8, 86 at 3:35 p.m. by DASD/IMPS.
The State Director should advise other personnel as appropriate.